



**United States Department of Agriculture  
Rural Development**

Michael W. Aube ■ State Director

January 5, 2006

Dear MFH Borrowers/Managers:

RE: Multi-Family Housing (MFH) Summary Servicing Guidance for Borrowers Regarding Hurricanes Katrina and Rita.

USDA Rural Development is committed to making MFH resources available to assist Hurricane Katrina and Rita evacuees to obtain housing. We issued several unnumbered letters during the month of September 2005, which are available on our website, [www.rurdev.usda.gov](http://www.rurdev.usda.gov). The following is a summary of the most relevant and current information.

Emergency RA for Hurricane Katrina and Rita Evacuees:

USDA Rural Development MFH borrowers who make housing available to Hurricane Katrina and Rita evacuees have been subject to certain favorable servicing actions during this emergency. Certain waivers were provided and 6 months of emergency Rental Assistance (RA) was made available.

Rural Development made 10,000 units of 6-month Emergency RA available for use to facilitate the occupancy of Hurricane Katrina and Rita evacuees. MFH staff in each State worked with borrowers and management companies who were willing to abide by the conditions described below.

In order to receive this emergency RA, the MFH borrower agreed to accept the number of 6-month emergency RA units requested, to use the units only to allow occupancy by an evacuee from Hurricane Katrina and Rita, to sign a modified emergency RA agreement, and to agree that the RA can be transferred at the Agency's discretion to another MFH project if not used or needed for an evacuee. The 6-month period for transferring unused RA at §3560.259 (a) does not apply in this situation. This Emergency RA was not intended to be used for permanent residency.

Effective five days from the date of this letter, no new Hurricane Katrina or Rita evacuees will be accepted on an emergency basis.

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Evacuees are limited to six months of Hurricane RA but may receive a two-month extension in hardship cases. Hardship is defined as factors outside of the control of the evacuee. Some examples are a delay in FEMA processing of the evacuee's submitted claim or a delay by the insurance company in processing or reviewing a claim.

Occupancy by Hurricane Katrina and Rita Evacuees:

1. Any existing MFH tenants and/or Section 502/504 borrowers made homeless by the hurricane were able to apply for occupancy at any Rural Development financed property as a "displaced tenant." In accordance with 7 CFR 3560.154 (g) (2)(ii), they were placed, first come-first serve on the waiting list. They were offered any vacant unit or the next available unit if no vacancies exist.
2. Letter of Priority Entitlement (LOPE) was issued by the Agency to displaced individuals in accordance with 7 CFR 3560.159 (c) and in the following priority:
  - a. The applicant was displaced from Agency-financed housing;
  - b. The applicant was displaced in a Federally declared disaster area.
3. For occupancy, evacuees were to provide the borrower with documentation of being registered with Federal Emergency Management Agency (FEMA) in lieu of a LOPE letter, or other documentation that demonstrated the applicant resided in the federally declared disaster area. Other documentation may include: a driver's license or other picture ID with an address; an application number from FEMA; or the owner could verify the address, date of birth and other similar information from a credit agency. No additional proof of residency in a MFH property or of participation in the Section 502/504 program was necessary as Rural Development could verify this electronically. The borrower should have contacted Rural Development to verify the tenant's participation in such programs.
4. The evacuees must have a FEMA registration number or claim number within 30 days of occupancy. Evacuees can register with FEMA by calling 1-800-621-3362 or on-line at [www.fema.gov](http://www.fema.gov). Upon registration, FEMA will issue a 9-digit claim number. A copy of the FEMA claim letter/claim number should be maintained in the tenant file.
5. The Agency waived 7 CFR 3560.152 (e)(2)(i) to allow for self-verification of income for the first 90 days of occupancy, but such waiver will not exceed 6 months. Also, imputed income for assets due to homeownership affected by the hurricane was waived.
6. Zero income applicants were allowed to reside in apartment units; however, RA or other tenant subsidy had to be available to the applicant.
7. If requested by the borrower, the Agency could waive 7 CFR 3560.204 security deposit requirements. The borrower will be reimbursed for the amount of damage caused by the tenant.
8. If requested by the borrower, the Agency could allow flexibility in the borrower's tenant selection criteria to accommodate the evacuees. This includes credit and criminal checks. However, the borrower's tenant selection criteria cannot be arbitrary or discriminatory.

9. The Agency waived 7 CFR 3560.156 (b)(2) which requires that leases must be for 1 year. Leases for Hurricane Katrina and Rita evacuees should be issued on a month-to-month basis, not to exceed 6 months.
10. Borrowers should not use regular RA for Hurricane Katrina and Rita evacuees. Emergency RA has been established for this purpose.

Use of Project Funds to Assist Hurricane Katrina and Rita Evacuees:

If requested by the borrower, the Agency allowed the use of project funds to cover the following applicant costs for Hurricane Katrina and Rita evacuees. As a Borrower who has housing evacuees, we urge you to promptly submit appropriate documentation of evacuee-related expenses to be covered by Hurricane RA. It is important that this be submitted prior to the six month expiration of the Hurricane RA unit.

1. The Agency allowed the use of project funds to cover the cost of application fees normally paid by the tenant. The cost will only be paid for by project funds if the borrower customarily charges application fees.
2. The Agency allowed the use of project funds to cover up to \$100.00 for the cost of transporting evacuees from shelters or emergency centers to the multi-family property where evacuees will be housed.
3. The Agency allowed the use of RA funds for the initial turn-on of utilities for evacuee households. This would be handled as a manual adjustment to RA on the project worksheet for the initial month of occupancy. The processing steps for reimbursement for these costs in are as follows:
  - The project will pay the utility company for the expense and retain a receipt in the tenant's file;
  - Management will submit a summary of all utility connection charges to the servicing office prior to submitting the monthly project worksheet for processing;
  - The Agency will add the manual adjustment to the project worksheet; and
  - The borrower must approve the project worksheet after the manual adjustment is made.
4. The Agency allowed use of the Replacement Reserve funds to pay for limited basic furniture (bed, linens, table, chair), if no charitable resources are available.

Processing Tenant Certifications (TCs) for Hurricane Katrina and Rita Evacuees

1. The Agency waived 7 CFR 3560.152 (e)(2)(iii), which required the borrower to submit a tenant certification form to the Agency within 10 days of the effective date of any initial certification or any changes in the tenant status. While borrowers were encouraged to submit tenant data in a timely manner for the purposes of processing the payment, overage temporarily was not be charged for late tenant certifications (TCs) for evacuees or properties affected by Hurricane Katrina and Rita. THIS WAIVER IS NOT BEING EXTENDED.

2. The Agency allowed all TCs for the move-in of an evacuee during the month of September to be effective September 1, 2005. For evacuees who moved in during the month of October or any month afterward, TCs will be dated the first of the month.
3. Borrowers and management agents were to provide written notification to the servicing office that processes the monthly payment via fax or email of any evacuees who are housed. The notification was to include the evacuee name, FEMA claim number, social security number and unit number. Also, borrowers and management agents were to indicate if multiple units were used to house one family, such as using two 2-bedroom units to house an evacuee family of 6 persons.
4. All TCs that were transmitted through MINC were to be manually modified to identify the tenants as evacuees. The borrower accomplished this by inserting in the "last name field" "KAT(space)(space)" or "RIT(space)(space)" in the first 5 spaces and then enter the tenant's last name.
5. To streamline processing of TCs for the evacuees, projects located in counties designated as Hurricane Katrina and Rita disaster areas were flagged in the Rural Development system. As a result, when a move-in transaction was received for an evacuee who formerly resided in a project located in the disaster area, the system would automatically vacate the old unit, rather than reject the transaction as a duplicate tenant.

#### Assistance for properties destroyed or damaged

In properties where all or a substantial number of the units became uninhabitable due to hurricane damage, the Agency has several authorities available to minimize the financial impact of the devastation. Please note that: 7 CFR 3560.105 requires that MFH borrowers maintain hazard insurance coverage. In most cases, hazard insurance coverage includes payments to cover disrupted rents.

1. If borrowers were unable to transmit tenant certification information due to communication problems relating to the hurricane, the Agency generally waived overage charges due to late submission. The borrower should have contacted its Servicing Office to advise the office of any problems with transmitting information to the Agency.
2. If borrowers were temporarily unable to make loan payments, the Agency waived late fees to reduce any extra financial burden.
3. The Agency may have entered into servicing workout plans to assist properties whose financial viability was disrupted. Workout plans as described in 7 CFR 3560.453 include a variety of actions to lower operating costs. Some options include reducing contributions to the reserve account or lowering loan payments. Reamortization of the account can be used to bring the account current once the repair is completed. Servicing workout plans would also bring into consideration any receipt of insurance benefits by the borrower.
4. Provided borrowers are making a good faith effort to repair any apartment units made uninhabitable by the hurricane, the Agency may continue to allow interest credit to remain in effect. The Agency will review the situation after 180 days to assess progress in rehabilitating damaged units.

5. A 6-month moratorium on loan payments was provided to Section 515 and Sections 514/516 (Farm Labor Housing) borrowers in the federally declared disaster areas provided that the damage to the property was as a direct result of the disaster.
6. Supervisory visits and annual physical inspections are suspended until further notice in the states that have federally declared disaster areas due to Hurricane Katrina and Rita.

Transferring RA with MFH Tenants displaced by Hurricane Katrina and Rita:

Some existing tenants may have been receiving Rental Assistance (RA) in units made uninhabitable by the hurricane. While the Agency cannot provide RA to a tenant unless they occupy an eligible Rural Development financed property, the Agency did allow the transfer of the tenant's RA unit to an eligible Rural Development property where the tenant could then continue to receive RA. Any such arrangement must be agreed to by all parties and be designed to return the RA, and the tenant if they chose, back to their original apartment unit.



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